

Fiscal Research Center

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Using Tax Increment Financing to “Clean Up” Brownfields

In recent surveys of 231 U.S. city mayoral offices, a lack of funding is cited as the number one obstacle to remediation and redevelopment of hazardous waste sites (so-called “brownfields”) within urban areas. A creative solution for financing brownfield redevelopment in Fulton County is through the use of a Tax Allocation District (TAD). To finance a project with TAD, a local government would issue debt (bonds) to finance the project and then rely on increased property tax revenues to repay the debt. For instance, say the City of Atlanta uses a TAD to finance the cleanup of a hazardous waste site. The City would then develop an “improvement district” surrounding the hazardous waste site wherein any increases in tax revenues resulting from increases in property values within the district would be directed to a fund to repay the bonds. It is important to note that the “baseline” tax revenue is not redirected from its current uses. Only the incremental tax revenues that arise from the incremental increases in property values post-completion of the project are targeted for repayment of the debt. Tax allocation districts have been used widely in Texas, California, and many mid-western states, and a major TAD was just approved in 2005 to support the Atlanta Beltline Project.

Before undertaking a TAD to finance a particular project, it is important to determine if tax revenues will increase sufficiently post-project to repay the debt incurred. Research shows that if the cost of cleanup of contaminated sites in Fulton County were \$1 million per site, 86 percent of the hazardous sites in Fulton County would be candidates for TAD financing of their cleanup. If costs are instead \$5 million per site, a substantial portion of hazardous sites would still be financially feasible for TAD cleanup programs, and such an activity would increase tax revenue by up to \$13 million per site, per year as a result. The map on the reverse page shows the concentration of hazardous waste sites in Fulton County. Sites highlighted in red are financially feasible for a TAD when each costs \$5 million to cleanup. Over 50 percent of the sites financially feasible for TAD are located in low income, majority African American neighborhoods. A more detailed analysis of TADs and their potential use in Fulton County for brownfield cleanup can be found at: http://frp.aysps.gsu.edu/frp/frpreports/report_82/index.htm

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This research was conducted by Dr. Laura Taylor, Department of Economics and Domestic Programs, AYSPPS.

The Fiscal Research Center mission is to promote the development of sound public policy and public understanding of issues concerning state and local governments. For more information contact David L. Sjoquist, Director and Sally Wallace, Associate Director at 404-651-2782 or visit our website at frp.aysps.gsu.edu.

Neighborhood Characteristics of Candidate Sites for Tax Increment Financing of Cleanup When Cleanup Costs are 5 Million Per Site

